
SENATE BILL No. 575

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 12-20-25-45.

Synopsis: Property tax credits. Provides that the homestead credit does not apply to the extent that the assessed value of the homestead exceeds \$300,000. Limits the application of the state property tax replacement credit with respect to taxes imposed by civil taxing units on residential, commercial, and industrial real property parcels with high assessed valuations. Directs the department of local government finance to determine the savings to the state property tax replacement fund resulting from those changes, and to apply the savings to increase property tax replacement credit payments to school corporations.

Effective: Upon passage.

Skinner, Hume

January 23, 2007, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

SENATE BILL No. 575

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-20.9-2, AS AMENDED BY P.L.162-2006,
2 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 2. (a) Except as otherwise provided in section
4 5 of this chapter, an individual who on March 1 of a particular year
5 either owns or is buying a homestead under a contract that provides the
6 individual is to pay the property taxes on the homestead is entitled each
7 calendar year to a credit against the property taxes which the individual
8 pays on the individual's homestead **in an amount determined under**
9 **subsection (b)**. However, only one (1) individual may receive a credit
10 under this chapter for a particular homestead in a particular year.
11 (b) The amount of the credit to which the individual is entitled
12 equals the product of:
13 (1) ~~the percentage prescribed in subsection (d);~~ **twenty percent**
14 **(20%)**; multiplied by
15 (2) the amount of the individual's property tax liability, as that
16 term is defined in IC 6-1.1-21-5, which is:
17 (A) **attributable during the particular calendar year to: the**



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(i) for a homestead during the particular calendar year, with a gross assessed valuation that does not exceed three hundred thousand dollars (\$300,000), the remainder of the gross assessed valuation of the homestead minus the deductions referred to in subsection (c)(1); or

(ii) for a homestead with a gross assessed valuation that exceeds three hundred thousand dollars (\$300,000), the remainder of the part of the gross assessed valuation of the homestead that equals three hundred thousand dollars (\$300,000) minus the apportioned amount of deductions under subsection (c)(2); and

(B) determined after the application of the property tax replacement credit under IC 6-1.1-21.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead:

(1) all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property; and

(2) if the gross assessed valuation of the individual's homestead exceeds three hundred thousand dollars (\$300,000), the deductions referred to in subdivision (1) and the deduction under IC 6-1.1-12-37 (if the homestead qualifies for that deduction) are apportioned proportionately between:

(A) the part of the gross assessed valuation of the individual's homestead that equals three hundred thousand dollars (\$300,000); and

(B) the part of the gross assessed valuation of the individual's homestead that exceeds three hundred thousand dollars (\$300,000).

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2002	10%
2003 through 2005	20%
2006	28%
2007 and thereafter	20%

However, The property tax replacement fund board established under

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IC 6-1.1-21-10 shall increase the percentage of the credit ~~provided in the schedule~~ for any year if the budget agency determines that an increase is necessary to provide the minimum tax relief authorized under IC 6-1.1-21-2.5. If the board increases the percentage of the credit ~~provided in the schedule~~ for any year, the percentage of the credit for the immediately following year is ~~the percentage provided in the schedule~~ **twenty percent (20%)** for that particular year, unless as provided in this subsection the board must increase the percentage of the credit ~~provided in the schedule~~ for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

- (1) an individual uses the residence as the individual's principal place of residence;
- (2) the residence is located in Indiana;
- (3) the individual has a beneficial interest in the taxpayer;
- (4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
- (5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 2. IC 6-1.1-21-2, AS AMENDED BY P.L.67-2006, SECTION 4, AND AS AMENDED BY P.L.2-2006, SECTION 57, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means property taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the

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preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5 is to be filed ~~on or before March 1 of~~ each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county) (*before its repeal*); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of

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building, repairing, or altering school buildings for which the requirements of IC 20-5-52 (repealed) were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 (*before its repeal*) or IC 20-46-6 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 (*before its repeal*) or IC 20-46-3 for a racial balance fund; plus

(iii) IC 36-12-12 for a library capital projects fund; plus

(iv) IC 36-10-13-7 for an art association fund; plus

(v) IC 21-2-17 (*before its repeal*) or IC 20-46-2 for a special education preschool fund; plus

(vi) IC 21-2-11.6 (*before its repeal*) or IC 20-46-1 for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 (*before its repeal*) or IC 20-45-6-8 for an increase in a school corporation's maximum permissible ~~general fund~~ tuition support levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 (*before its repeal*) or IC 20-46-4-10 for an increase in a school corporation's maximum permissible ~~general~~ transportation fund levy for transportation operating costs; minus

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(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under ~~IC 6-1.1-19~~ IC 6-1.1-19-4.5 (before its repeal), including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 (before its repeal), IC 20-45-3, or any other law; minus

(I) for each township in the county, the lesser of:

- (i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE (as effective January 1, 1990) or IC 6-1.1-18.5-19(b) STEP THREE (as effective January 1, 1990), whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(4) (as effective before January 1, 1989), filed after December 31, 1982; or
- (ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

- (i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 (repealed) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN (as effective January 1, 1995) for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b) (as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March 15, 2004); and
- (ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 (before its repeal) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN (as effective January 1, 1995) for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) (as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March

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- 1 15, 2004) for property taxes payable in each year after 1995;
 2 plus
 3 (2) all taxes to be paid in the county in respect to mobile home
 4 assessments currently assessed for the year in which the taxes
 5 stated in the abstract are to be paid; plus
 6 (3) the amounts, if any, of county adjusted gross income taxes that
 7 were applied by the taxing units in the county as property tax
 8 replacement credits to reduce the individual levies of the taxing
 9 units for the assessment year, as provided in IC 6-3.5-1.1; plus
 10 (4) the amounts, if any, by which the maximum permissible ad
 11 valorem property tax levies of the taxing units of the county were
 12 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 13 assessment year; plus
 14 (5) the difference between:
 15 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 16 minus
 17 (B) the amount the civil taxing units' levies were increased
 18 because of the reduction in the civil taxing units' base year
 19 certified shares under IC 6-1.1-18.5-3(e).
 20 (h) "December settlement sheet" means the certificate of settlement
 21 filed by the county auditor with the auditor of state, as required under
 22 IC 6-1.1-27-3.
 23 (i) "Tax duplicate" means the roll of property taxes ~~which that~~ each
 24 county auditor is required to prepare ~~on or before March 1 of~~ each year
 25 under IC 6-1.1-22-3.
 26 (j) "Eligible property tax replacement amount" is, except as
 27 otherwise provided by law, equal to the sum of the following:
 28 (1) Sixty percent (60%) **or the percentage determined under**
 29 **section 2.3 of this chapter** of the total county tax levy imposed
 30 by each school corporation in a county for its general fund for a
 31 stated assessment year.
 32 (2) Twenty percent (20%) **or the percentage determined under**
 33 **section 2.3 of this chapter** of the total county tax levy (less sixty
 34 percent (60%) of the levy for the general fund of a school
 35 corporation that is part of the total county tax levy) imposed in a
 36 county on real property for a stated assessment year **excluding:**
 37 (A) **real property parcels referred to in subdivisions (3)**
 38 **through (6);**
 39 (B) **each real property parcel that:**
 40 (i) **is assessed as residential property under the rules of**
 41 **the department of local government finance;**
 42 (ii) **includes more than four (4) family dwellings; and**

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(iii) has a combined assessed value of land and improvements that exceeds three million dollars (\$3,000,000); and

(C) each real property parcel that:

(i) is assessed as commercial or industrial property under the rules of the department of local government finance; and

(ii) has a combined assessed value of land and improvements that exceeds three million dollars (\$3,000,000).

(3) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for single family dwelling parcels with combined gross assessed valuations of land and improvements that do not exceed three hundred thousand dollars (\$300,000), the total of the remainders with respect to each parcel of:

(i) the gross assessed valuation of the parcel; minus

(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or

(B) for single family dwelling parcels with combined gross assessed valuations of land and improvements that exceed three hundred thousand dollars (\$300,000), the total of the remainders with respect to each parcel of:

(i) the part of the gross assessed valuation of the parcel that equals three hundred thousand dollars (\$300,000); minus

(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(4) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for two (2) family dwelling parcels with combined gross assessed valuations of land and improvements that do not exceed four hundred thousand dollars (\$400,000), the total of the remainders with respect to each parcel of:

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(i) the gross assessed valuation of the parcel; minus

(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or

(B) for two (2) family dwelling parcels with combined gross assessed valuations of land and improvements that exceed four hundred thousand dollars (\$400,000), the total of the remainders with respect to each parcel of:

(i) the part of the gross assessed valuation of the parcel that equals four hundred thousand dollars (\$400,000); minus

(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(5) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for three (3) family dwelling parcels with combined gross assessed valuations of land and improvements that do not exceed five hundred thousand dollars (\$500,000), the total of the remainders with respect to each parcel of:

(i) the gross assessed valuation of the parcel; minus

(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or

(B) for three (3) family dwelling parcels with combined gross assessed valuations of land and improvements that exceed five hundred thousand dollars (\$500,000), the total of the remainders with respect to each parcel of:

(i) the part of the gross assessed valuation of the parcel that equals five hundred thousand dollars (\$500,000); minus

(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(6) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for four (4) family dwelling parcels with combined gross assessed valuations of land and improvements that

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do not exceed six hundred thousand dollars (\$600,000), the total of the remainders with respect to each parcel of:

(i) the gross assessed valuation of the parcel; minus

(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or

(B) for four (4) family dwelling parcels with combined gross assessed valuations of land and improvements that exceed six hundred thousand dollars (\$600,000), the total of the remainders with respect to each parcel of:

(i) the part of the gross assessed valuation of the parcel that equals six hundred thousand dollars (\$600,000); minus

(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(7) Fifteen percent (15%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to, for parcels with combined gross assessed valuations of land and improvements that exceed three hundred thousand dollars (\$300,000) and do not exceed one million two hundred thousand dollars (\$1,200,000) and that are five (5) or more family dwelling parcels or parcels assessed as commercial or industrial property under the rules of the department of local government finance, the total of the remainders with respect to each parcel of:

(A) the gross assessed valuation of the parcel; minus

(B) any deductions applied to the gross assessed valuation under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42, or IC 6-1.1-45.

(8) Ten percent (10%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to, for parcels with combined gross assessed valuations of land and improvements that exceed one million two hundred thousand dollars (\$1,200,000) and do not exceed two million one hundred thousand dollars (\$2,100,000) and that are five (5) or more family dwelling parcels or parcels assessed as commercial or industrial property under the rules

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of the department of local government finance, the total of the remainders with respect to each parcel of:

(A) the gross assessed valuation of the parcel; minus

(B) any deductions applied to the gross assessed valuation under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42, or IC 6-1.1-45.

(9) Five percent (5%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to, for parcels with combined gross assessed valuations of land and improvements that exceed two million one hundred thousand dollars (\$2,100,000) and do not exceed three million dollars (\$3,000,000) and that are five (5) or more family dwelling parcels or parcels assessed as commercial or industrial property under the rules of the department of local government finance, the total of the remainders with respect to each parcel of:

(A) the gross assessed valuation of the parcel; minus

(B) any deductions applied to the gross assessed valuation under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42, or IC 6-1.1-45.

(10) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

- (1) held for sale in the ordinary course of a trade or business; or
- (2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means, except as otherwise provided by law, the sum of the following:

- (1) Sixty percent (60%) or the percentage determined under section 2.3 of this chapter of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.
- (2) Twenty percent (20%), or a percentage based on the amount of property tax replacement credit to which the taxpayer is entitled based on the part of the total county tax

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levy for which the taxpayer is liable as described in subsection (j), of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) **or the percentage determined under section 2.3 of this chapter** of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property.

(3) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) **or the percentage determined under section 2.3 of this chapter** of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

(o) "Board" refers to the property tax replacement fund board established under section 10 of this chapter.

(p) "Family dwelling parcel" means a parcel on which is located real property improvements that include the indicated number of family dwellings.

SECTION 3. IC 6-1.1-21-2.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.2. If the gross assessed valuation of a parcel exceeds the amount referred to in section 2(j)(3), 2(j)(4), 2(j)(5), or 2(j)(6) of this chapter, any deductions applied for purposes of section 2(j) of this chapter to the gross assessed valuation of the parcel under IC 6-1.1-12 or IC 6-1.1-12.1 are apportioned proportionately between:**

(1) the part of the gross assessed valuation of the parcel that equals the amount referred to in section 2(j)(3), 2(j)(4), 2(j)(5), or 2(j)(6) of this chapter; and

(2) the part of the gross assessed valuation of the parcel that exceeds the amount referred to in section 2(j)(3), 2(j)(4), 2(j)(5), or 2(j)(6) of this chapter.

SECTION 4. IC 6-1.1-21-2.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.3. (a) With respect to property taxes first due and payable in each year, the department of local government finance shall:**

(1) determine the amount, notwithstanding section 2.5 of this

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chapter or any other law, that the state's liability for payments from the property tax replacement fund would be reduced for that year as a result of the amendments made in the 2006 session of the general assembly to:

(A) IC 6-1.1-20.9-2; and

(B) section 2 of this chapter; and

(2) determine an adjusted percentage to be substituted for sixty percent (60%) each place where sixty percent (60%) appears in section 2(j) and 2(l) of this chapter that would result in an increase in payments from the property tax replacement fund to school corporations for that year in the amount determined under subdivision (1).

(b) The adjusted percentage determined under subsection (a)(2) is:

(1) substituted in; and

(2) applied under;

section 2(j) and 2(l) of this chapter before percentage adjustments are made under section 2.5 of this chapter or any other law.

SECTION 5. IC 6-1.1-21-2.5, AS ADDED BY P.L.246-2005, SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2.5. (a) Annually, before the department determines the eligible property tax replacement amount for a year under section 3 of this chapter and the department of local government finance makes its certification under section 3(b) of this chapter, the budget agency shall determine the sum of the following:

(1) One billion one hundred twenty-one million seven hundred thousand dollars (\$1,121,700,000).

(2) An amount equal to the net amount of revenue, after deducting collection allowances and refunds, that the budget agency estimates will be collected in a particular calendar year from the part of the gross retail and use tax rate imposed under IC 6-2.5 equal to one percent (1%).

The estimate made under this subsection must be consistent with the latest technical forecast of state revenues that is prepared for distribution to the general assembly and the general public and available to the budget agency at the time that the estimate is made.

(b) The department may not distribute eligible property tax replacement amounts and eligible homestead credit replacement amounts for a year under this chapter that, in the aggregate, is less than the amount computed under subsection (a).

(c) Annually, before the department determines the eligible property tax replacement amount for a year under section 3 of this chapter and

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the department of local government finance makes its certification under section 3(b) of this chapter, the budget agency shall determine whether the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 for a year, determined without applying subsection (b), will be less than the amount determined under subsection (b). The budget agency shall give notice of its determination to the members of the board and, in an electronic format under IC 5-14-6, the general assembly. If the budget agency determines that the amount determined under subsection (b) will not be exceeded in a particular year, the board shall increase for that year the percentages used to determine a taxpayer's property tax replacement credit amount and the homestead credit percentage applicable under IC 6-1.1-20.9-2 so that the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 at least equals the amount determined under subsection (b). In making adjustments under this subsection, the board shall increase percentages in the following order until the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b):

(1) The homestead credit percentage specified in IC 6-1.1-20.9-2 until the homestead percentage reaches the lesser of:

(A) thirty percent (30%); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b).

(2) If the amount determined under subsection (b) is not exceeded after increasing the homestead percentage under subdivision (1), the board shall increase the property tax replacement credit percentage specified in section 2(j)(1) and 2(l)(1) of this chapter until the property tax replacement percentage reaches the lesser of:

(A) seventy percent (70%); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

(3) If the amount determined under subsection (b) is not exceeded after making all possible increases in credit percentages under

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subdivisions (1) and (2), the board shall increase the property tax replacement credit percentages specified in section 2(j)(2) ~~2(j)(3); through (2)(j)(10)~~, 2(l)(2), and 2(l)(3) of this chapter to the percentage at **which** the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

(d) The adjusted percentages set under subsection (c):

(1) are the percentages that apply under:

(A) section 5 of this chapter to determine a taxpayer's property tax replacement credit amount; and

(B) IC 6-1.1-20.9-2 to determine a taxpayer's homestead credit; and

(2) must be used by the:

(A) department in estimating the eligible property tax replacement amount under section 3 of this chapter; and

(B) department of local government finance in making its certification under section 3(b) of this chapter;

and for all other purposes under this chapter and IC 6-1.1-20.9 related to distributions under this chapter;

for the particular year covered by a budget agency's determination under subsection (c).

SECTION 6. IC 6-1.1-21-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. (a) Notwithstanding IC 6-1.1-26, any taxpayer who is entitled to a credit under this chapter or who has properly filed for and is entitled to a credit under IC 6-1.1-20.9, and who, without taking the credit, pays in full the taxes to which the credit applies, is entitled to a refund, without interest, of an amount equal to the amount of the credit. However, if the taxpayer, at the time a refund is claimed, owes any other taxes, interest, or penalties payable to the county treasurer to whom the taxes subject to the credit were paid, then the credit shall be first applied in full or partial payment of the other taxes, interest, and penalties and the balance, if any, remaining after that application is available as a refund to the taxpayer.

(b) Any taxpayer entitled to a refund under this section shall be paid that refund from proceeds of the property tax replacement fund. However, with respect to any refund attributable to a homestead credit, the refund shall be paid from that fund only to the extent that the percentage homestead credit the taxpayer was entitled to receive for a year does not exceed the percentage credit allowed in

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1 **IC 6-1.1-20.9-2(b) or** IC 6-1.1-20.9-2(d) for that same year. Any
 2 refund in excess of that amount shall be paid from the county's revenue
 3 distributions received under IC 6-3.5-6.

4 (c) The state board of accounts shall establish an appropriate
 5 procedure to simplify and expedite the method for claiming these
 6 refunds and for the payments thereof, as provided for in this section,
 7 which procedure is the exclusive procedure for the processing of the
 8 refunds. The procedure shall, however, require the filing of claims for
 9 the refunds by not later than June 1 of the year following the payment
 10 of the taxes to which the credit applied.

11 SECTION 7. IC 6-1.1-21-9 IS AMENDED TO READ AS
 12 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) On or before
 13 October 15 of each year, each county auditor shall make a settlement
 14 with the department as to the aggregate amount of property tax
 15 replacement credits extended to taxpayers in the auditor's county
 16 during the first eight (8) months of that same year. On or before
 17 December 31 of each year, each county auditor shall make a settlement
 18 with the department along with the filing of the county auditor's
 19 December settlement as to the aggregate amount of property tax
 20 replacement credits extended to taxpayers in the auditor's county
 21 during the last four (4) months of that same year. If the aggregate
 22 credits allowed during either period exceed the property tax
 23 replacement funds allocated and distributed to the county treasurer for
 24 that same period, as provided in sections 4 and 5 of this chapter, then
 25 the department shall certify the amount of the excess to the auditor of
 26 state who shall issue a warrant, payable from the property tax
 27 replacement fund, to the treasurer of the state ordering the payment of
 28 the excess to the county treasurer. If the distribution exceeds the
 29 aggregate credits, the county treasurer shall repay to the treasurer of the
 30 state the amount of the excess, which shall be redeposited in the
 31 property tax replacement fund.

32 (b) In making the settlement required by subsection (a), the county
 33 auditor shall recognize the fact that any loss of revenue resulting from
 34 the provision of homestead credits in excess of the percentage credit
 35 allowed in **IC 6-1.1-20.9-2(b) or** IC 6-1.1-20.9-2(d) must be paid from
 36 county option income revenues.

37 (c) Except as otherwise provided in this chapter, the state board of
 38 accounts with the cooperation of the department shall prescribe the
 39 accounting forms, records, and procedures required to carry out the
 40 provisions of this chapter.

41 SECTION 8. IC 12-20-25-45 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 45. (a)

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Notwithstanding IC 6-3.5-6, after the termination of the controlled status of all townships located in a county as provided in section 41 of this chapter and if the county option income tax is imposed under this chapter, the county fiscal body may adopt an ordinance to:

(1) increase the percentage credit allowed for homesteads in the county under IC 6-1.1-20.9-2; or

(2) reduce the county option income tax rate for resident county taxpayers to a rate not less than the greater of:

(A) the minimum rate necessary to satisfy the requirements of section 43 of this chapter; or

(B) the minimum rate necessary to satisfy the requirements of sections 43 and 46(2) of this chapter if an ordinance is adopted under subdivision (1).

(b) A county fiscal body may not increase the percentage credit allowed for homesteads in such a manner that more than eight percent (8%) is added to the percentage established under **IC 6-1.1-20.9-2(b) or IC 6-1.1-20.9-2(d)**.

(c) The increase in the homestead credit percentage must be uniform for all homesteads in a county.

(d) In an ordinance that increases the homestead credit percentage, the county fiscal body may provide for a series of increases or decreases to take place for each of a group of succeeding calendar years.

(e) An ordinance may be adopted under this section after January 1 but before June 1 of a calendar year.

(f) An ordinance adopted under this section takes effect January 1 of the next calendar year.

(g) An ordinance adopted under this section for a county is not applicable for a year if on January 1 of that year the county option income tax is not in effect.

SECTION 9. [EFFECTIVE UPON PASSAGE] IC 6-1.1-21-2, IC 6-1.1-21-2.5, IC 6-1.1-21-7, IC 6-1.1-21-9, and IC 12-20-25-45, all as amended by this act, and IC 6-1.1-21-2.2 and IC 6-1.1-21-2.3, both as added by this act, apply only to property taxes first due and payable after December 31, 2006.

SECTION 10. An emergency is declared for this act.

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